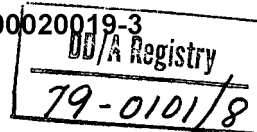


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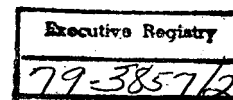
2 APR 1979

MEMORANDUM FOR: Director of Central Intelligence

THRU: Deputy Director of Central Intelligence

FROM: Don I. Wortman
Deputy Director for Administration

SUBJECT: Exemption From Public Availability Aspects of
Financial Reports Required by the Ethics in
Government Act of 1978



1. Action Requested: That you sign the attached letter to President Carter (Tab B) requesting that he make the appropriate findings necessary to exempt financial reports of CIA officials from public availability and to permit the filing of additional reports where necessary to preserve cover. ☐

2. Background: The Ethics in Government Act of 1978 requires that all senior Government officials file annual detailed financial statements with a designated official of their agency. The Act also provides that unless exempted by the President, copies of such statements must be given to any person on request together with a copy of the official position descriptions of the positions held by the persons filing such reports. Such requests must be honored any time within 6 years from the date of filing. In addition to the provision for Presidential exemption from the public availability aspects of the Act, the President can also authorize the filing of more than one such report if necessary to preserve operational equities such as official cover. ☐

3. Staff Position:

a. Attached hereto (Tab A) is a paper which discusses the possible effects the public release of detailed financial statements of CIA employees would have on the Agency's mission. I strongly urge that you petition President Carter to make the necessary findings which would exempt the financial statements of all Agency officials from public availability except those of Presidential appointees (DCI, DDCI). ☐

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b. I do not make this recommendation lightly. It is based not only on the attachment but also on extensive discussions by my staff with key senior officials Agency wide. It is their overwhelming opinion that such a course of action must be taken to preserve the Agency as a viable foreign operational arm of the U.S. Government. It is their judgment that, in terms of security, counterintelligence and cover, the public availability requirements of the Act contain the potential for the most dangerous and debilitating exposure in Agency history. As pointed out above, unless exempted by the President, copies of reports containing in-depth details of the financial condition and personal status of the top officials of the Agency, together with the official description (not title) of the positions they hold must be given to any person on request received up to 6 years from the date the report is filed. Beyond doubt, the Agency will receive such requests, perhaps within hours of the time such reports must be filed. Those reports will then be available to the media, foreign embassies, international terrorist groups, and assorted nuts. This must not be allowed to happen. The list of potential problems is endless.

c. There are other options to this course of action, but anything less than total exemption would have to be based on an arbitrary dividing line related to the amount of public exposure officials, such as the Legislative and General Counsels, receive as a result of their responsibilities. But, as the attachment points up, some of the major effects that may occur due to public disclosure will apply to all officials of the Agency. Therefore, I believe that notoriety by itself is an insufficient basis for drawing the line.

4. Recommendation: I recommend that you sign the letter to President Carter (Tab B) requesting that he make the necessary findings which will exempt the financial statements of Agency officials from public disclosure and will authorize the filing of additional reports by officials with other Government agencies where necessary to protect cover or other operational equities.

/s/ Don I. Wortman

Don I. Wortman

Attachments:
As stated

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SUBJECT: Exemption From Public Availability Aspects of Financial
Reports Required by the Ethics in Government Act of 1978

Distribution:

Original - Addressee w/atts
1 - DCI w/atts
1 - DDCI w/atts
1 - ER w/atts
1 - D/NFAC w/atts
1 - DDO w/atts
1 - DDS&T w/atts
1 - Comptroller w/atts
1 - General Counsel w/atts
1 - Inspector General w/atts
1 - Legislative Counsel w/atts
✓ 1 - DDA Subject w/atts
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EFFECT OF PUBLIC DISCLOSURE
OF FINANCIAL STATEMENTS OF CIA EMPLOYEES

(Ethics in Government Act of 1978)

Prologue

X1 This paper discusses the possible consequences of the public availability of financial reports provisions set forth in the Ethics in Government Act of 1978 (hereinafter "the Act") in the event the President does not make the necessary finding which would exempt such financial reports from public disclosure. In reviewing this matter, it is extremely important to keep in mind that CIA abroad must operate under cover and that senior personnel are routinely rotating between domestic and foreign assignments. Official and overt U.S. Government acknowledgement of certain employees' CIA affiliation would create political, security, and foreign government difficulties to the assignment of such personnel abroad. The destruction of the Agency or publication of its activities with the intent of rendering it useless are objectives not only of the KGB but also the avowed purpose of Philip Agee and others of his persuasion, including Morton Halperin and John Marks of the Center for National Security Studies. More than any other agency, CIA excites the curiosity of the press and public because of the mystique and the James Bond aura which inevitably encompasses secret intelligence operations. ☐

Because of the above, coupled with the revelations and investigations of the past 5 years, the Agency is not only more vulnerable to media mischief than are other Government agencies but because of cover and foreign operational aspects such mischief can undermine and destroy the effectiveness of the Agency abroad. ☐

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I. The Requirement

A. Who Must File

1. The Act requires that every employee file with a designated Agency official a detailed financial report if:

a. the employee occupies a position graded GS-16 or above;
or

b. the employee occupies a position the rate of basic pay for which is fixed at or above the minimum GS-16 level. ☐ 25X

2. Office of Government Ethics (OGE) Interpretation. OGE, the office charged with implementing the Act, has interpreted the law in a way that would make the law applicable to anyone in CIA whose salary is equal to the minimum GS-16 level, i.e., the top levels of GS-15. ☐ 25X

B. Agency Positions or Persons Covered

X1 If the Act applies to positions rather than salary, then approximately ☐ of the Agency's top officials will fall under the Act. However, if the OGE interpretation prevails, i.e., that the salary of the person rather than the grade of the position is controlling, then an additional 200 or more Agency officials would be required to file reports. ☐ 25X

C. Public Availability of Reports

The Act requires that all reports, as well as the official position description of the position occupied by the official filing the report be available to the public unless the President acts to exempt any such reports. The Agency must, at the request of any person, make any such report available for inspection and/or provide a copy of such report and position description. Furthermore, such reports/position descriptions must be available to the public for a period of 6 years from date of filing. ☐ 25X

D. Exemption of Reports from Public Availability

1. Congress recognized that while the public interest would be well served if most senior Government officials filed financial reports, the public interest would not necessarily be served if the financial reports of certain persons involved in intelligence activities were to be made available to the world. The law therefore provided a mechanism whereby such

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financial reports could be exempted from the public availability provisions of the Act discussed above. In order for the financial reports of intelligence officials to be so exempt, the President must find that

"due to the nature of the office or position occupied by such individual, public disclosure of such report would, by revealing the identity of the individual or other sensitive information, compromise the national interest of the United States" (emphasis added). ☐

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2. Legislative History. The legislative history of the Act justifies a broad interpretation of the President's authority to provide exemptions from the public availability aspects of the Act for individuals engaged in intelligence activities. ☐

- a. The House Bill. The House version of the Act provided for Presidential authority to exempt reports from public disclosure where

"due to the nature of the office or position occupied by such individual, public disclosure of such report would compromise the national interest of the United States." ☐

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- b. The Senate Bill. The Senate version of the Act provided narrower exemption limited to cases where

"public disclosure of such report would reveal the identity of an undercover agent of the Federal Government."

In conference on the Act, the Senate accepted the House version with the modification that the reports could be exempted if they would

"by revealing the identity of the individual or other sensitive information, compromise the national interest of the United States." ☐

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II. Effect of Public Disclosure of Financial Reports of CIA Employees

From a security standpoint, the public availability requirements of the Act contain the potential for the most dangerous and debilitating exposure in Agency history. As pointed out above, unless exempted by the President, copies of reports containing in-depth details of the financial condition and personal status of the top officials of the Agency, together with the official description (not title) of the positions they hold must be given to any person on request received up to 6 years from the date the report is filed. Beyond doubt, the Agency will receive such requests, perhaps within hours of the time such reports must be filed. Those reports will then be available to the media, foreign embassies, international terrorist groups, and assorted nuts. The list of potential problems is endless.

For purposes of discussion, the effects of public disclosure are considered in the general areas of security, counterintelligence, and cover. Not all of these factors will apply to every person or position covered under the Act, but some of them will apply to every such person or position.

A. Penetration by Foreign Intelligence Services

1. It is known that one of the primary objectives of the KGB is to penetrate CIA. Counterintelligence staff records document numerous attempts by the KGB to develop and recruit CIA personnel. The KGB believes that the best way to recruit U.S. citizens is through financial reward. Similar efforts are mounted by other foreign intelligence services. These efforts include the use of clandestine tradecraft (surveillance, access agents, etc.) as well as the exhaustive use of open source material (telephone directories, State Biographic Registers, Foreign Service lists, newspapers, etc.) coupled with data processing techniques to identify and assess American intelligence personnel. What more could the KGB and others ask for than a blueprint of the senior jobs in the Agency, who fills them, and what those persons' financial weaknesses might be. What would CIA do if presented with a similar list of KGB personnel?
2. It can be argued that the Agency has already disclosed the names of many of its senior officials. But in such cases names are generally revealed one or two at a time, and care is taken to withhold the identities of those under cover. Under the Act, we would be serving up not only an extensive listing of names but also an immense amount of data, thus

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facilitating the effort of the adversaries of the Agency to obtain such information or identities. In addition, the information would be guaranteed accurate and official. ☐

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C. Agency Projects, Programs, and Functions

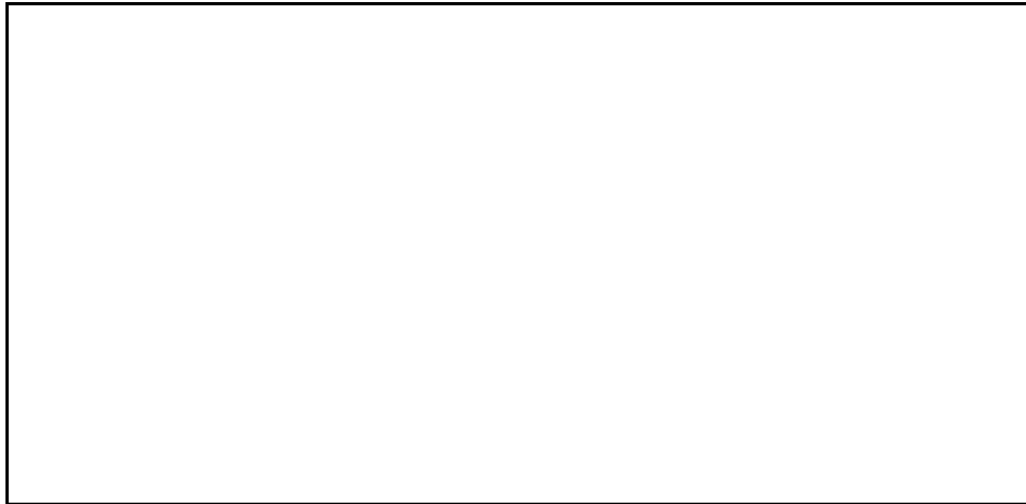
The public release of the financial reports and position descriptions mentioned above, if placed in the hands of even a semi-sophisticated investigator, would lead to the revelation of considerable additional data concerning Agency programs, projects, covert installations, and firms with which the Agency has covert contracts. ☐

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1. Official Position Descriptions. Through public disclosure of official position descriptions, an adversary could develop an extensive amount of data on Agency personnel strengths in given areas, classified functions and programs of various components, and the existence of and general location of covert Agency installations. Such position descriptions, just to cite a few from various Directorates, include: information on the existence of various stations and the

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2. Security of Senior Officials. The same officials who will be required to file reports will also be the officials who travel most extensively on Agency business. Many such officials are required to meet with officials of firms with which we have covert contracts or other sensitive relations or with officials of foreign governments who themselves may be under some form of cover. The implications of their meeting with overtly identified CIA personnel may lead to embarrassment through undesirable publicity, political difficulties in certain foreign countries, as well as physical threats to personal or family safety. ☐

D. Effect on Agents and Foreign Liaison Services

The publication of the names and financial statements of senior Agency officials would have a detrimental effect on our agents, foreign liaison, and domestic contacts. It would be another signal, one of a series in recent history (investigations, leaks, FOIA, etc.), that the U.S. Government and CIA have lost both the will and the ability to maintain the confidentiality of relationships which depend for the most part on that very confidentiality. The implications for our collection capabilities are obvious. ☐

E. Effect on Foreign Governments

Public official revelation of the names of officials as well as the existence of a CIA presence in a particular country could cause extensive foreign relations problems and even prompt a foreign government to withhold visas and perhaps expel some CIA officials. ☐

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F. Opportunities for Media Mischief

While the opportunities for media mischief based on the public revelation of financial reports of senior officials of any U.S. Government agency are extensive, one need only remember the press coverage of [] other matters, and the natural curiosity of the public, to realize that such reports of CIA officials will probably engender a number of exposes by irresponsible journalists or media representatives. []

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G. Personnel Flexibility

There are at least two aspects to this problem. The first involves the future use under cover of officials who would be subject to the public availability aspects of the Act at this time. The publicity they would receive would severely limit their future use. In addition, if an official is not currently exempted but is later assigned to a position mandating an exemption, then a petition for a Presidential finding will have to be submitted at that time. This could lead to a series of such petitions. Just how the whole process would work is unknown at this time, but it is fair to say it would be extremely time consuming. []

III. Summary

In sum, public disclosure of the CIA affiliation and job description of senior officials -- and particularly those who are now or may in the future be involved in the management of field activities -- would be so detrimental to the operating equities of the Agency that such disclosures must be avoided. There is no practical alternative. The very existence of the Agency as a viable foreign operational arm of the Government is at stake. []

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